PIRAEUS
FINANCIAL HOLDINGS

REPORT of the Board of Directors of Piraeus Financial Holdings S.A. (the "Company") pursuant to articles 27 paragraph 4 of L. 4548/2018, 9 paragraph 1 of L. 3016/2002 and 4.1.3.13.2 (3) of the Athens Exchange Regulation

The Sunrise Plan

On 16 March 2021, Piraeus Group (the "Group") announced the Sunrise Plan to the investment community, which is intended to facilitate the Group's return to a path of sustainable and increasing profitability. Pursuant to the Sunrise Plan, the Group has adopted the following three strategic initiatives:

- *The NPE Reduction Plan,* which involves a series of NPE securitisations (under the Hellenic Asset Protection Scheme) and NPE portfolio sales designed to reduce Piraeus Bank's NPE exposure by €19 billion and enable it to achieve an aspired single-digit NPE ratio in the next 12 months, while targeting an NPE ratio of less than 3% in the medium term. Upon the successful completion of the NPE Reduction Plan, together with the Capital Enhancement Plan (as described below), the Group expects to significantly reduce its exposure to NPEs, while maintaining a satisfactory capital position above applicable capital requirements.
- *The Capital Enhancement Plan,* which includes the completion of a series of concerted and comprehensive capital enhancing actions in 2021, including the contemplated Share Capital Increase through the Combined Offering (each as defined below), that are intended to strengthen the Group's capital position and improve its capital adequacy buffers. The primary objective of the Capital Enhancement Plan is to facilitate the execution of the NPE Reduction Plan and to improve the Group's capital position with capital enhancing actions totaling c. €3 billion in 2021, of which circa €1.2-1.4 billion is intended to be provided through the contemplated Share Capital Increase. The successful completion of the contemplated Share Capital Increase, together with the prompt execution of the other components of the Capital Enhancement Plan, will allow the Group to timely execute its NPE Reduction Plan by enabling it to better sustain losses anticipated to be incurred from the NPE sales contemplated by said plan; and
- *The Transformation Plan,* which represents Piraeus Bank's long-term strategy to achieve operational excellence by focusing on its core commercial banking activities, executing its business and retail banking growth strategy, increasing efficiency and reducing operating costs throughout the organisation, improving and expanding its digital platform and implementing comprehensive sustainable banking and ESG policies. Through the implementation of the Transformation Plan, the Group aims to reduce

operating costs, increase its focus on revenue generating activities, enhance productivity by growing volumes and core revenues per full-time equivalent employee, and thus increase Piraeus Bank's recurring pre-provision income.

The timely execution of the aforementioned strategic pillars will enable the Group to pursue its medium-term financial aspirations, including:

- an NPE ratio of below 10% in the next 12 months (including the anticipated effect of the COVID-19 pandemic on NPE formation) following the implementation of the NPE Reduction Plan, and lower than 3% in the medium term through further organic and inorganic NPE management actions;
- a net interest margin of at least approximately 1.8% in the medium term, absorbing the impact of the drastic NPE reduction and the impact of the COVID-19 pandemic;
- a net fee margin of approximately 0.6% over assets in the medium term;
- a cost-to-income ratio of below 45% in the medium term, through cost base transformation initiatives and further investments in digitalisation;
- a cost of risk of approximately 60 basis points over net loans in the medium term, gradually converging to a normalised level that is on par with the EU average, following the implementation of the NPE Reduction Plan;
- a return on average tangible equity of approximately 5% in the short-term and above 10% in the medium term, through business growth, further rationalisation of operating expenses and cost of risk normalisation following the de-risking; and
- a total capital adequacy ratio exceeding 16% throughout the short- to medium-term period, while converging to the required level of MREL requirements in the context of the Group's debt issuance plan.

Upon the successful completion of the NPE Reduction Plan and the Capital Enhancement Plan, the Group expects to significantly decrease NPEs on Piraeus Bank's balance sheet, while maintaining a satisfactory capital position above applicable capital requirements. These actions will further facilitate the restoration of investor confidence in the Greek banking system overall, while also enhancing Piraeus Bank's credibility as a top tier bank among customers and improving the Group's access to the international capital markets. Finally, the successful completion of the NPE Reduction and Capital Enhancement Plans will also enable the Group to implement its long-term strategy on the basis of a stronger financial and balance sheet position, which will allow the Group to capitalise on growth opportunities, supply growth funding to the Greek economy and provide more effective banking services to households and businesses.

Resolutions of the General Meeting held on 7 April 2021

In this context, as prior corporate actions technically necessary to give effect to the contemplated Share Capital Increase, the extraordinary general meeting of the Company's shareholders held on 7 April 2021 (the "EGM") passed, *inter alia*, the following resolutions:

(a) It authorised the Company's Board of Directors to:

(i) resolve on the increase of the Company's share capital by up to €14,959,064,952, with the issuance of new ordinary registered shares, in accordance with Article 24 paragraph 1 of Law 4548/2018; and

(ii) determine the specific terms and timetable of the increase of the share capital in accordance with the applicable provisions of Law 4548/2018, including, indicatively, the structure of such share capital increase, the manner and process for the offering of new shares issuable pursuant to such increase and the offering price thereof, the power to disapply or restrict the pre-emptive right of the Company's existing shareholders, in accordance with Article 27 paragraph 4 of Law 4548/2018, the power to determine the categories of investors eligible to participate in the offering of such new shares and to decide the criteria based on which such new shares will be allocated to various categories of investors in Greece and/or abroad, the entering into the necessary agreements with foreign and/or domestic banks and other investment firms, and, in general, to proceed with any necessary, required or expedient act, action or legal act for the implementation of such share capital increase, including the requisite amendment of the Company's Articles of Association. The authority to approve the increase of the share capital so given to the Company's Board of Directors may be exercised either once for the full maximum amount or fractionally pursuant to several transactions, and is valid for three years.

(b) It approved a reverse split, namely the increase of the par value of the Company's existing ordinary shares from €6.00 to €99.00 per share combined with the concurrent (i) reduction of the total number of such shares from 831,059,164 to 50,367,223 corresponding to a ratio of 16.5 existing ordinary shares for 1 new ordinary share; and (ii) the increase of the Company's share capital by €93.00, through the capitalisation of an equal amount from the "share premium" reserve for the purposes of issuing a whole number of shares (the "Reverse Split").

(c) It approved:

(i) the reduction of the Company's share capital by €4,935,987,854.00 by decreasing the par value of the Company's ordinary shares by €99.00 to €1.00 per share, without changing the total number of the ordinary shares following the reverse split referred to in (b) above (the "Share Capital Reduction"); and

(ii) that the Company applies such €4,935,987,854.00 for the purpose of creating a special reserve pursuant to the provisions of Article 31 paragraph 2 of Law 4548/2018.

The corresponding amendments to the Company's Articles of Association made as a result of the Reverse Split and the Share Capital Reduction were approved by Decision no. 42494/09.04.2021 of the Ministry of Development and Investment and were registered with the General Commercial Registry on 09.04.2021. As a result of the above corporate actions, prior to the contemplated Share Capital Increase, the Company's share capital amounts to €50,367,223.00 divided into 50,367,223 ordinary shares, each having a par value of €1.00. Trading of the shares on the Athens Exchange ("ATHEX") is scheduled to commence on 19 April 2021.

Contemplated share capital increase

In the context of the implementation of the Capital Enhancement Plan as set out above and by virtue of the authority given to it pursuant to the aforementioned resolution of the EGM, at its session to be held on 16 April 2021, the Company's Board of Directors contemplates to pass, among others, the following resolutions:

1. to approve the increase of the Company's share capital by up to €1,200,000,000, through payment in cash, the disapplication of the preemption rights of the Company's existing shareholders and the issuance of up to 1,200,000,000 new ordinary registered shares, each having a par value of €1.00 (the "New Shares"), on the terms to be detailed in the relevant resolution of the Board of Directors (the "Share Capital Increase"). The final number of the New Shares will be equal to the quotient of the final nominal amount of the Share Capital Increase divided by their par value of €1.00 per share. The difference between the par value and the final offering price for the New Shares (if any), will be credited to the own funds account of the Company under the caption "issuance of shares above par". The present Report will be an integral part of said resolution of the Board.

2. That the New Shares will be offered:

(a) in Greece, to retail investors and qualified investors pursuant to a public offering in accordance with the Regulation (EU) 2017/1129 (the "Prospectus Regulation"), the applicable provisions of Law 4706/2020 and the enabling decisions of the HCMC (the "Public Offering"); and

(b) outside Greece, to qualified, institutional and other eligible investors, pursuant to a private placement book building process, in reliance upon the exemptions from the requirement to publish a prospectus under the Prospectus Regulation and other applicable laws (the "Institutional Offering" and together with the Public Offering, the "Combined Offering").

3. The Public Offering period shall be three business days and shall run in parallel with the Institutional Offering.

The contemplated Share Capital Increase will enable the Group to:

- accelerate the execution of the NPE Reduction Plan by allowing it to sustain anticipated losses to be incurred from NPE sales pursuant to such plan and ensuring an adequate capital position and then to subsequently focus on the execution of the Transformation Plan towards a clean, de-risked and highly profitable Group;
- bolster its capital base and expand the Company's shareholder composition, by increasing private participation and diversity in its shareholder base;
- strengthen its image and reputation thus improving its access to the international capital and debt markets;
- successfully face the challenges of the economic environment and continue to contribute in the effort to restore the Greek economy through initiatives for the promotion of entrepreneurship and the enhancement of the competitiveness of the Greek economy.

Justification of the disapplication of the pre-emption rights of existing shareholders by virtue of a resolution of the Board of Directors

The contemplated disapplication of the pre-emption rights of the existing shareholders of the Company by virtue of the resolution of its Board of Directors is considered, under the prevailing market circumstances, to be justified and in the interest of the Company in the context of the implementation of the Capital Enhancement Plan and the NPE Reduction Plan. The key benefits for the Company that justify the disapplication of the pre-emption rights of its existing shareholders are as follows:

- it will enable the Company to act quickly for the implementation of the Capital Enhancement Plan by expediting the respective procedures for the accelerated completion of the Share Capital Increase whilst providing it with the maximum possible flexibility;
- it will allow the Company to capture a significant volume of financial resources in a short period of time, thereby substantially reducing execution risks through a lower exposure of the transaction to changes in market conditions, including due to the COVID-19 pandemic;
- it will facilitate the determination of the offer price of the New Shares on the basis of procedures and practices that are acknowledged and applied internationally and domestically, such as the book building process, and in all cases in a transparent, expeditious and competitive manner, thus reducing the time between the initiation of the offer and the completion of the Share Capital Increase, noting, however, that the offer price cannot be lower than the nominal value of the Company's existing shares of €1.00 per share;
- it will mitigate the effect of distortion in the trading of the Company's existing shares during the period of the Combined Offering, which is significantly shorter than in the case of a rights issue; and
- It will facilitate the enlargement of the Company's private shareholder base and the resulting improvement of its free float.

However, retail investors and qualified investors who are registered shareholders of the Company in accordance with its shareholders' register electronically kept through the ATHEXCSD on the commencement date of trading of its Ordinary Shares after the Reverse Split, on 19 April, 2021, and subscribe for in the Public Offering (the "Priority Investors"), will be entitled to a priority allocation of the New Shares allocated in the Public Offering, which will be proportionate to the shareholding participation of a Priority Investor in the Company. The priority allocation shall not apply in the Institutional Offering. Relevant details will be included in the prospectus.

Offering Price of the New Shares

The offering price for the New Shares (the "Offering Price"), which may not be lower than €1.00 or higher than €1.15 per New Share (the "Price Range"), is expected to be determined by the Board of Directors within the Price Range after the close of the book building period for the Institutional Offering in agreement between the Company and the joint global coordinators of the Institutional Offering and will be identical in the Combined Offering.

In order to determine the Price Range, the Company has undertaken an intensive 4-week international roadshow. During such process a number of top quality long-only investors have expressed strong interest to participate in the share capital increase of the Company and highly positive reactions to the three strategic initiatives of the Group (NPE Reduction Plan, Capital Enhancement Plan, Transformation Plan). It is noted that the feedback accumulated from the investor roadshow pointed to an expected entry multiple for the forthcoming share capital increase of below 0.3x P/TBV. Moreover, it was indicated in several interactions with interested investors that a potential upsizing of the issuance would improve the attractiveness of the Group's proposition for the investment community. As a result, a higher vs. the €1bn initial target transaction is being proposed, with the following terms: issuance of up to 1,200,000,000 new ordinary registered shares, each having a par value of €1.00, with a subscription price ranging from €1.00 to €1.15, corresponding to a deal size range of €1.20bn to €1.38bn.

Participants in the Public Offering are expected to subscribe at the higher price of the Price Range, while their final subscription amount will be equal to the product of the number of New Shares eventually allocated to them multiplied by the final Offering Price that will be determined as set out above.

HFSF participation in the Share Capital Increase

In a letter addressed to the Company, the Hellenic Financial Stability Fund (the "HFSF") expressed full support to the Share Capital Increase and communicated its decision to subscribe for the acquisition of such number of New Shares in the Institutional Offering that will result, following the completion of the Share Capital Increase, in the HFSF holding between a minimum of 27% and a maximum of 33.0% of the total number of ordinary voting shares of the Company, including those with restricted voting rights. The allocation criteria for the final HFSF participation within the above range will be set out in the Offering Circular to be used for the purpose of the Institutional Offering (the "IOC") as they will be agreed.

Reasons for the Share Capital Increase and use of proceeds

The Share Capital Increase represents a key component of the Capital Enhancement Plan, announced on 16 March 2021, which, in turn, is intended to facilitate the execution of the NPE Reduction Plan by allowing the Group to better sustain anticipated losses to be incurred from NPE sales pursuant to the NPE Reduction Plan, and ensuring an adequate capital position. As at 31 December 2020, and after giving pro forma effect to the successful completion of the contemplated Share Capital Increase, the Company in the case of €1.00 offering price would have had a phased-in Common Equity Tier 1 ratio of 16.5% and a phased-in total capital ratio of 18.5%, as compared to reported ratios of 13.75% and 15.82%, respectively, as of the same date, whereas in the case of €1.15 offering price, it would have had a phased-in Common Equity Tier 1 ratio of 16.9% and a phased-in total capital ratio of 19.0 %.

The Company will use the aggregate net proceeds from the Share Capital Increase through the Combined Offering to strengthen its capital adequacy buffers.

Share Capital Increase Timeline

The Public Offering period shall be three business days and shall run in parallel with the Institutional Offering. The Public Offering will be performed on the basis of a relevant prospectus in Greece to be submitted for approval by the Board of Directors of the Hellenic Capital Market Commission in accordance with Regulation (EU) 2017/1129, and be subsequently published in accordance with the applicable provisions. Subject to market conditions, the contemplated Share Capital Increase is expected to be completed within the first half of May 2021, provided further that all requisite corporate, regulatory, supervisory and other third party approvals have been timely obtained and that all prerequisite decisions from the competent authorities have been timely issued.

Use of proceeds from the previous share capital increase of the Company

The Extraordinary General Shareholders' Meeting of the Company (former Piraeus Bank S.A.) dated 15.11.2015, resolutions of which were further specified by the resolutions of the Board of Directors dated 20.11.2015 and 02.12.2015, approved the increase of the share capital of the Company by €2.601,649,044.60, through (i) the capitalization of liabilities, equivalent to cash, amounting to €581,649,044.40, and the issuance of 1,938,830,148 new common registered voting shares, each having a par value of €0.30; (ii) payments in cash amounting to €1,340,000,000.10 and the issuance of 4,466,666,667 new common registered voting shares, each having a par value of €0.30; and (iii) the contribution in kind of ESM bonds for an amount of €680,000,000.10 and the issuance of 2,266,666,667 new common registered voting shares, each having a par value of €0.30.

Said funds were used to cover the Company's (former Piraeus Bank S.A.) capital requirements resulting from the Comprehensive Assessment of the Greek systemic banks performed by the European Central Bank in 2015.

Athens, 16 April 2021

The Board of Directors of Piraeus Financial Holdings S.A.